

**CITY OF MONTICELLO, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

**CITY OF MONTICELLO, UTAH
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YEAR ENDED JUNE 30, 2005**

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LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 20, 2005

Honorable Mayor
Members of the City Council
City of Monticello, Utah

Mayor and Council Members:

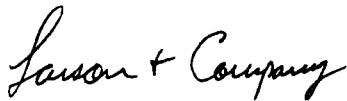
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monticello, as of and for the year ended June 30, 2005, which collectively comprise the City of Monticello's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monticello's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monticello, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages MDA-1 through MDA-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2005, on our consideration of the City of Monticello's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Larson & Company
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Monticello, we offer readers of the Monticello City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. It is designed to provide an overview of the City's financial activity. It is also intended to assist the reader in focusing on significant financial issues. These include identifying changes in the City's financial position (its ability to address the next and subsequent year's challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

To comply with Government Auditing Standards Board Statement No. 34, the City implemented a new reporting format beginning in the fiscal year ending June 30, 2004, with significant changes in content and structure. In future years, comparisons will be more meaningful and will go further in explaining the City's financial position and result of operations.

FINANCIAL HIGHLIGHTS

- Total net assets of Monticello City are \$13,476,842 as compared to \$13,864,769 in fiscal year ending June 30, 2004.
- Total net assets consist of: \$11,430,253 in capital assets net of related debt, Restricted Accounts - \$1,267,406 in Class "C" Roads, \$19,941 in Bond Requirements, \$262,004 in Emergency Repairs, \$14,637 in Impact Fees, \$6,594 in Closure and Post Closure Care Costs, leaving \$476,007 in Unrestricted Assets.
- The General Fund (the primary operating fund) had a decrease in its fund balance of \$245,922.

REPORTING THE CITY AS A WHOLE

The discussion and analysis is intended to serve as an introduction to Monticello City's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Monticello City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Monticello City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Monticello City is improving or

deteriorating. However, you will also still need to consider other non-financial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Monticello City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Monticello City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and major/non-major funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using a modified accrual accounting method, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds is determined to be non-major and is included in the combining statements within this report.

- Proprietary funds – Monticello City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions

presented as business-type activities in the government-wide financial statements. Monticello City uses enterprise funds to account for its Water, Sewer, and Sanitation Utility accounts, Golf Course Operations, and Airport. Internal service funds are an accounting device used to accumulate and allocate costs internally among Monticello City's various functions.

As determined by generally accepted accounting principles, the Water, Sewer, and Sanitation enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Monticello City, assets exceed liabilities by \$13,476,842.

By far the largest portion of Monticello City's net assets (84.8%) reflects its investment in capital assets (e.g., land, water rights, buildings, infrastructure assets, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of some of the information in the Government-wide financial statements is as follows:

Net Assets June 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,843,097	\$ 2,088,096	\$ 562,579	\$ 611,890	\$ 2,405,676	\$ 2,699,986
Capital assets	6,566,410	6,908,282	7,641,586	7,591,264	14,207,996	14,499,546
Total assets	8,409,507	8,996,378	8,204,165	8,203,154	16,613,672	17,199,532
Other liabilities	53,184	55,049	319,324	358,420	372,508	413,469
Long-term liabilities	193,805	186,742	2,570,517	2,734,550	2,764,322	2,921,292
Total liabilities	246,989	241,791	2,889,841	3,092,970	3,136,830	3,334,761
Net assets:						
Invested in capital assets, net						
of related debt	6,372,605	6,721,540	5,057,648	4,841,319	11,430,253	11,562,859
Restricted	1,267,406	1,819,952	303,176	295,897	1,570,582	2,115,849
Unrestricted	522,507	213,095	(46,500)	(27,032)	476,007	186,063
Total net assets	\$ 8,162,518	\$ 8,754,587	\$ 5,314,324	\$ 5,110,184	\$ 13,476,842	\$ 13,864,771

**Changes in Net Assets
June 30, 2005 and 2004**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 332,795	\$ 304,679	\$ 583,183	\$ 528,099	\$ 915,978	\$ 832,77
Operating grants and contribs	140,000	441,195	-	-	140,000	441,19
Capital grants and contribs	72,818	87,630	289,183	218,196	362,001	305,82
General revenues:						
Property taxes	145,660	152,230	-	-	145,660	152,23
General sales and use tax	366,876	313,916	-	-	366,876	313,91
Other taxes	94,013	76,896	-	-	94,013	76,89
Investment earnings	38,475	36,514	7,277	4,793	45,752	41,30
Miscellaneous	24,152	40,111	9,424	22,113	33,576	62,22
Gain on Sale of Capital Assets	7,500	3,500	-	-	7,500	3,50
Total revenues	<u>1,222,289</u>	<u>1,456,671</u>	<u>889,067</u>	<u>773,201</u>	<u>2,111,356</u>	<u>2,229,87</u>
Expenses:						
General government	364,875	355,672	-	-	364,875	355,67
Public safety	369,207	350,146	-	-	369,207	350,14
Highways and public imprvmnts	205,393	357,479	-	-	205,393	357,47
Parks, recreation and public prop.	832,396	869,802	-	-	832,396	869,80
Airport	42,485	138,283	-	-	42,485	138,28
Operating expenses (Business Type)	-	-	635,774	635,648	635,774	635,64
Interest expense	-	-	49,153	52,796	49,153	52,79
Total expenses	<u>1,814,356</u>	<u>2,071,382</u>	<u>684,927</u>	<u>688,444</u>	<u>2,499,283</u>	<u>2,759,82</u>
Increase in net assets	<u>(592,067)</u>	<u>(614,711)</u>	<u>204,140</u>	<u>84,757</u>	<u>(387,927)</u>	<u>(529,95</u>
Increase in net assets	<u>(592,067)</u>	<u>(614,711)</u>	<u>204,140</u>	<u>84,757</u>	<u>(387,927)</u>	<u>(529,95</u>
Net assets - beginning	<u>8,754,585</u>	<u>9,369,296</u>	<u>5,110,184</u>	<u>5,025,427</u>	<u>13,864,769</u>	<u>14,394,72</u>
Net assets - ending	<u>\$ 8,162,518</u>	<u>\$ 8,754,585</u>	<u>\$ 5,314,324</u>	<u>\$ 5,110,184</u>	<u>\$ 13,476,842</u>	<u>\$ 13,864,76</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 49.9% of total general fund revenues. Sales tax and the resort community tax combine for 71.7% of total tax revenues and represent 35.8% of total general fund revenues.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this

report provide the same information for business-type activities as is provided in the government-wide financial statements, but provide much more detail.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Monticello City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$14,207,996 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, improvements other than buildings, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment.

Major capital asset events during this fiscal year included the following:

- \$126,080 spent in Class "C" road improvements
- \$21,831 for architectural fees for the Visitor's Center
- \$5,047 for the purchase of a new copier
- \$22,943 for a new police vehicle
- \$6,137 spent for sprinkling system upgrades in City Park
- \$85,129 for additional golf carts and mowing equipment
- \$9,442 spent for new dugouts and other recreation equipment
- \$22,261 for the purchase of a Road Department pickup
- \$13,862 for the purchase of street lights for Main and Center
- \$3,996 for the purchase of new dumpsters for the Sanitation Department
- \$288,052 of water collection and distribution improvements
- \$34,805 spent in legal fees in the Electrical Department for the disposition of a lawsuit

Long-term debt – At June 30, 2005, the City had \$238,577 in governmental long-term debt and \$2,577,166 in business type activity long-term debt. None of this debt is considered to be general obligation debt. (State statute allows a municipality to issue general obligation debt up to 4% of its total taxable value).

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for San Juan County was 11.0% compared with a state unemployment rate of 4.9% and a national rate of 5.2%. San Juan County's rate in 2004 was 10.2% (Source: Utah Dept of Workforce Services).
- The General Fund budget for fiscal year ending June 30, 2006 reflects an increase of 139.6% over the actual revenues for the fiscal year ending June 30, 2005. The largest part of this increase is for the Capital improvements identified below.

- Capital improvements budgeted for the FYE June 30, 2005 include:

- New Visitor's Center
- Community Center Feasibility Study
- Wind Study
- New Police Department Vehicle
- Land Purchase and Design for New Airport
- New 1st Responder Fire Truck
- Replace all SCBAs and Fire Department clothing
- New Fire Station/Public Works Building Complex
- Millsite Walking Trail Rehabilitation
- Road Improvements Including Curb & Gutter
- Water Collection and Distribution Improvements
- Sewer Line Replacement
- Garbage Truck Flare

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Monticello City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or a request for additional financial information should be addressed to: City Recorder, City of Monticello, 17 North 100 East, PO Box 457, Monticello, UT 84535

BASIC FINANCIAL STATEMENTS

Monticello City
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 200,274	\$ -	\$ 200,274
Receivables (net):	-	-	-
Utility billings	-	64,105	64,105
Other	31,268	539,446	570,714
Internal balances	344,148	(344,148)	-
Restricted Assets:			
Cash and cash equivalents	1,267,407	303,176	1,570,583
Capital Assets (net of accumulated depreciation):			
Land	1,471,644	221,495	1,693,139
Water rights	-	1,761,659	1,761,659
Buildings	259,564	38,429	297,993
Improvements other than buildings	4,544,328	5,402,419	9,946,747
Equipment	290,874	217,584	508,458
Total assets	<u>8,409,507</u>	<u>8,204,165</u>	<u>16,613,672</u>
LIABILITIES			
Accrued liabilities	8,412	-	8,412
Warrants in excess of transfers	-	290,168	290,168
Accrued interest payable	-	17,964	17,964
Noncurrent Liabilities:			
Compensated absences	44,772	11,192	55,964
Due within one year	-	168,641	168,641
Due in more than one year	193,805	2,397,333	2,591,138
Customer deposits payable	-	4,543	4,543
Total liabilities	<u>246,989</u>	<u>2,889,841</u>	<u>3,136,830</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,372,605	5,057,648	11,430,253
Restricted for:			
Class "C" roads	1,267,406	-	1,267,406
Bond requirements	-	19,941	19,941
Emergency repairs	-	262,004	262,004
Impact fees	-	14,637	14,637
Closure and post closure care costs	-	6,594	6,594
Unrestricted	522,507	(46,500)	476,007
Total net assets	<u>\$ 8,162,518</u>	<u>\$ 5,314,324</u>	<u>\$ 13,476,842</u>

Monticello City
Statement of Activities
For the Year Ended June 30, 2005

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating		Capital	Primary Government		
	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 364,875	\$ 18,531	\$ -	\$ (346,344)	\$ -	\$ (346,344)
Public safety	369,207	60,447	-	(308,760)	-	(308,760)
Highways and public improvements	205,393	-	140,000	(65,393)	-	(65,393)
Parks, recreation, and public property	832,396	223,887	-	(535,691)	-	(535,691)
Airport	42,485	29,930	-	(12,555)	-	(12,555)
Total governmental activities	1,814,356	332,795	140,000	(1,268,743)	-	(1,268,743)
Business-type activities:						
Water	342,011	279,706	-	-	226,878	226,878
Sewer	160,568	139,914	-	-	(20,654)	(20,654)
Garbage	147,543	163,563	-	-	16,020	16,020
Electric	34,805	-	-	-	(34,805)	(34,805)
Total business-type activities	684,927	583,183	289,183	-	187,439	187,439
Total primary government	\$2,499,283	\$ 915,978	\$ 140,000	\$ (1,268,743)	\$ 187,439	\$ (1,081,304)
General revenues:						
Property taxes				145,660	-	145,660
General sales and use tax				366,876	-	366,876
Resort community tax				68,008	-	68,008
Transient room tax				12,707	-	12,707
Franchise tax				13,298	-	13,298
Unrestricted investment earnings				38,475	7,277	45,752
Miscellaneous				24,152	9,424	33,576
Gain on sale of capital assets				7,500	-	7,500
Total general revenues and transfers				676,676	16,701	693,377
Change in net assets				(592,067)	204,140	(387,927)
Net assets - beginning				8,754,585	5,110,184	13,864,769
Net assets - ending				\$ 8,162,518	\$ 5,314,324	\$ 13,476,842

The Notes to the Financial Statements are an Integral Part of this Statement.

**Monticello City
Balance Sheet
Governmental Funds
June 30, 2005**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 200,274
Accounts receivable	31,268
Restricted cash and cash equivalents	1,267,407
Due from other funds	344,148
Total assets	<u>\$ 1,843,097</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accrued liabilities	\$ 8,412
Total liabilities	<u>8,412</u>
Fund balances:	
Reserved for:	
Class "C" roads	1,267,406
Designated for:	
Public safety	93,499
Undesignated	473,780
Total fund balances	<u>1,834,685</u>
Total liabilities and fund balances	<u>\$ 1,843,097</u>

Monticello City
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total fund balances - governmental fund types:	\$ 1,834,685
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,566,410
Long-term liabilities, including leases payable and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(238,577)</u>
Net assets of government activities	<u><u>\$ 8,162,518</u></u>

Monticello City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General Fund
REVENUES	
Taxes	\$ 606,549
Licenses and permits	18,531
Intergovernmental revenues	212,818
Charges for services	253,817
Fines and forfeitures	60,447
Interest income	38,475
Miscellaneous	24,152
Total revenues	<u>1,214,789</u>
EXPENDITURES	
Current:	
General government	383,908
Public safety	303,196
Highways and public improvements	279,481
Parks, recreation, and public property	554,249
Airport	47,377
Total expenditures	<u>1,568,211</u>
Excess revenues over (under) expenditures	<u>(353,422)</u>
OTHER FINANCING SOURCES (USES)	
Sale of fixed assets	7,500
Proceeds from capital lease	100,000
Total other financing sources and uses	<u>107,500</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(245,922)</u>
Fund balances - beginning of year	2,080,607
Fund balances - end of year	<u>\$ 1,834,685</u>

Monticello City
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (245,922)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(341,872)
Issuance of long term debt increased the liability in the Statement of Net Assets, but is recorded as revenue in the fund financial statements. Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(7,063)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated Absences	2,790
Change in net assets of governmental activities	<u>\$ (592,067)</u>

Monticello City
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Over(Under)
REVENUES				
Taxes	\$ 618,600	\$ 618,600	\$ 606,549	\$ (12,051)
Licenses and permits	19,100	19,100	18,531	(569)
Intergovernmental revenues	850,500	850,500	212,818	(637,682)
Charges for services	319,000	313,000	253,817	(59,183)
Fines and forfeitures	70,000	70,000	60,447	(9,553)
Interest income	60,500	60,500	38,475	(22,025)
Miscellaneous	38,500	44,500	24,152	(20,348)
Total revenues	1,976,200	1,976,200	1,214,789	(761,411)
EXPENDITURES				
Current:				
General government	660,575	660,575	383,908	(276,667)
Public safety	333,150	333,150	303,196	(29,954)
Highways and public improvements	487,375	487,375	279,481	(207,894)
Parks, recreation, and public property	365,700	365,700	554,249	188,549
Airport	126,900	126,900	47,377	(79,523)
Total expenditures	1,973,700	1,973,700	1,568,211	(405,489)
Excess revenues over (under) expenditures	2,500	2,500	(353,422)	(355,922)
Other financing sources (uses)				
Sale of Fixed Assets	-	-	7,500	7,500
Proceeds from capital lease	-	-	100,000	100,000
Total other financing sources and uses	-	-	107,500	107,500
Excess of revenues and other sources over (under) expenditures and other uses	2,500	2,500	(245,922)	(248,422)
Fund balances - beginning of year	2,080,607	2,080,607	2,080,607	
Fund balances - end of year	\$ 2,083,107	\$ 2,083,107	\$ 1,834,685	\$ (248,422)

Monticello City
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Garbage	Non-Major	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	29,578	267,004	6,594	-	303,176
Receivables:					
Utilities (net of allowance)	30,116	15,447	18,542	-	64,105
Other	539,446	-	-	-	539,446
Due from other funds	-	-	337,188	-	337,188
Total current assets	599,140	282,451	362,324	-	1,243,915
Noncurrent Assets:					
Land	162,205	59,290	-	-	221,495
Water rights	1,761,659	-	-	-	1,761,659
Buildings and improvements	31,078	91,933	6,663	-	129,674
Less: Accumulated depreciation	(20,939)	(68,973)	(1,333)	-	(91,245)
Improvements other than buildings	7,837,316	2,901,686	11,867	-	10,750,869
Less: Accumulated depreciation	(3,410,396)	(1,926,187)	(11,867)	-	(5,348,450)
Machinery and equipment	27,354	51,542	272,008	-	350,904
Less: Accumulated depreciation	(24,746)	(48,264)	(68,768)	-	(141,778)
Trucks and autos	85,037	29,560	-	-	114,597
Less: Accumulated depreciation	(76,579)	(29,560)	-	-	(106,139)
Furniture and fixtures	415	10	-	-	425
Less: Accumulated depreciation	(415)	(10)	-	-	(425)
Total noncurrent assets	6,371,989	1,061,027	208,570	-	7,641,586
Total assets	\$ 6,971,129	\$ 1,343,478	\$ 570,894	\$ -	\$ 8,885,501
LIABILITIES					
Current Liabilities:					
Due to other funds	\$ 430,799	\$ 78,796	\$ -	\$ 171,741	\$ 681,336
Warrants in excess of transfers	183,469	33,558	-	73,141	290,168
Customer deposits	4,543	-	-	-	4,543
Accrued interest payable	10,121	5,733	2,110	-	17,964
Current portion of capital leases payable	-	-	53,081	-	53,081
Current portion of bonds and notes payable	90,560	25,000	-	-	115,560
Total current liabilities	719,492	143,087	55,191	244,882	1,162,652
Noncurrent Liabilities:					
Bonds and notes payable	1,943,379	450,000	-	-	2,393,379
Capital leases payable	-	-	-	-	-
Closure and post closure care liability	-	-	3,954	-	3,954
Compensated absences payable	5,595	5,597	-	-	11,192
Total noncurrent liabilities	1,948,974	455,597	3,954	-	2,408,525
Total liabilities	2,668,466	598,684	59,145	244,882	3,571,177
NET ASSETS					
Invested in capital assets, net of related debt	4,327,929	580,294	149,425	-	5,057,648
Restricted for:					
Bond requirements	14,941	5,000	-	-	19,941
System improvements	-	262,004	-	-	262,004
Impact fees	14,637	-	-	-	14,637
Closure and post closure care costs	-	-	6,594	-	6,594
Unrestricted	(54,844)	(102,504)	355,730	(244,882)	(46,500)
Total net assets	\$ 4,302,663	\$ 744,794	\$ 511,749	\$ (244,882)	\$ 5,314,324

Monticello City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Garbage	Non-Major	Total
Operating Revenues:					
Charges for sales and services	\$ 279,706	\$ 139,914	\$ 163,563	\$ -	\$ 583,183
Impact fees	1,130	-	-	-	1,130
Miscellaneous	5,076	50	4,298	-	9,424
Total operating revenues	<u>285,912</u>	<u>139,964</u>	<u>167,861</u>	<u>-</u>	<u>593,737</u>
Operating Expenses:					
Professional and technical	653	370	5,305	34,754	41,082
Salaries and wages	38,527	37,102	34,351	-	109,980
Employee benefits	27,812	31,924	22,993	-	82,729
Materials and supplies	33,201	11,670	23,059	-	67,930
Depreciation	171,218	54,531	16,350	-	242,099
Insurance	12,243	3,654	5,780	-	21,677
Telephone and utilities	25,281	2,259	-	-	27,540
Miscellaneous	3,859	1,351	37,476	51	42,737
Total operating expenses	<u>312,794</u>	<u>142,861</u>	<u>145,314</u>	<u>34,805</u>	<u>635,774</u>
Operating income	<u>(26,882)</u>	<u>(2,897)</u>	<u>22,547</u>	<u>(34,805)</u>	<u>(42,037)</u>
Nonoperating Revenues (Expenses):					
Interest revenue	710	6,409	158	-	7,277
Interest expense and fiscal charges	(29,217)	(17,707)	(2,229)	-	(49,153)
Grant revenues	288,053	-	-	-	288,053
Total nonoperating revenues (expenses)	<u>259,546</u>	<u>(11,298)</u>	<u>(2,071)</u>	<u>-</u>	<u>246,177</u>
Income (loss)	<u>232,664</u>	<u>(14,195)</u>	<u>20,476</u>	<u>(34,805)</u>	<u>204,140</u>
Change in net assets	232,664	(14,195)	20,476	(34,805)	204,140
Total net assets - beginning	4,069,999	758,989	491,273	(210,077)	5,110,184
Total net assets - ending	<u>\$ 4,302,663</u>	<u>\$ 744,794</u>	<u>\$ 511,749</u>	<u>\$ (244,882)</u>	<u>\$ 5,314,324</u>

Monticello City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Garbage	Non-Major	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 276,784	\$ 141,444	\$ 163,865	\$ -	\$ 582,093
Other cash receipts	6,206	50	4,298	-	10,554
Payments to suppliers	(76,355)	(19,558)	(73,100)	(34,805)	(203,818)
Payments to employees	(64,628)	(67,313)	(57,344)	-	(189,285)
Net cash provided (used) by operating activities	142,007	54,623	37,719	(34,805)	199,544
Cash Flows From Non-Capital and Related Financing Activities					
(Increase) decrease in due from other funds	-	-	18,915	-	18,915
Increase (decrease) in due to other funds	249,378	14,497	-	62,942	326,817
Increase (decrease) in warrants in excess of transfers	14,588	(26,296)	-	(28,137)	(39,845)
Net cash provided (used) by non-capital and related financing activities	263,966	(11,799)	18,915	34,805	305,887
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(287,307)	(1,117)	(3,996)	-	(292,420)
Principal paid on capital debt	(89,448)	(24,000)	(50,409)	-	(163,857)
Interest paid on capital debt	(29,217)	(17,707)	(2,229)	-	(49,153)
(Increase) decrease in other receivables	(288,052)	-	-	-	(288,052)
Grant income	288,053	-	-	-	288,053
Net cash provided (used) by capital and related financing activities	(405,971)	(42,824)	(56,634)	-	(505,429)
Cash Flows From Investing Activities					
Interest and dividends received	710	6,409	158	-	7,277
Net cash provided (used) by investing activities	710	6,409	158	-	7,277
Net increase (decrease) in cash and cash equivalents	712	6,409	158	-	7,279
Cash and cash equivalents, July 1	28,866	260,595	6,436	-	295,897
Cash and cash equivalents, June 30	\$ 29,578	\$ 267,004	\$ 6,594	\$ -	\$ 303,176
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating Income	\$ (26,882)	\$ (2,897)	\$ 22,547	\$ (34,805)	\$ (42,037)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	171,218	54,531	16,350	-	242,099
(Increase) decrease in accounts receivable	(2,922)	1,530	302	-	(1,090)
Increase (decrease) in compensated absences payable	1,711	1,713	-	-	3,424
Increase (decrease) in accrued liabilities	(1,118)	(254)	(1,319)	-	(2,691)
Increase (decrease) in closure postclosure costs payable	-	-	(161)	-	(161)
Total adjustments	168,889	57,520	15,172	-	241,581
Net cash provided (used) by operating activities	\$ 142,007	\$ 54,623	\$ 37,719	\$ (34,805)	\$ 199,544

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

Monticello City is a political subdivision of the State of Utah. The City is governed by a mayor and an elected board of five council members. The financial statements of Monticello City include those of separately administered organizations that are controlled by or are dependent on the City. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria no potential component units are included in the City's financial statements.

The accounting policies of Monticello City, Utah, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

The City's financial reporting entity comprises the following:

Primary Government:	City of Monticello
Component Units:	None

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing

accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the water, sewer, garbage and electric funds.

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Enterprise Funds:	
Water, Sewer and Garbage	Accounts for revenues and expenditures of water, sewer and garbage utilities.
Nonmajor:	
Enterprise Fund:	
Electric	Accounts for revenues and expenditures of the electric utilities.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include; property taxes, sales taxes, water, sewer and garbage utilities, resort community taxes, and class "C" road funds. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Election Not to Report Infrastructure Retroactively

Management of Monticello City has elected not to report infrastructure retroactively. This is allowed by provisions of GASB Statement 34 for all governments with less than \$10 million in revenues. The City will report infrastructure prospectively.

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	30-45 years	30-45 years
Machinery and Equipment	10-15 years	10-15 years
Vehicles	5-10 years	5-10 years
Infrastructure	30 years	30 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets consist of various cash balances that are restricted as to their use. Certain cash balances are restricted by provisions of the bond resolutions. These include the bond, and emergency repairs accounts in the enterprise funds. Customer deposits are also restricted in the enterprise funds. Class C Road revenue not spent is restricted in the general fund to be used for future roadwork and funds are held for the fire department to be used for future expenditures.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this

debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
 - c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to San Juan County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the San Juan County

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Treasurer and remitted to the City shortly after collection.

Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

Current (further classified by function)
Debt Service
Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
General Fund	State Law

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized, nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Utah Money Management Act and adhering to the rules of the Utah Money Management Council.

The Utah Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealers trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the City's name. The City currently has no investments that are required to be categorized.

The Utah Public Treasurers' Investment Fund (PTIF) is an external deposit and investment pool wherein governmental entities are able to pool the moneys from several entities to improve investment efficiency and yield. These moneys are invested primarily in money market securities and contain no withdrawal restrictions. As such, the moneys invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source
Sales Tax

Legal Restrictions of Use
See Note 1.E.

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Water, Sewer and Garbage
B & C Road Funds
Federal and State Grants
Resort Community

Debt Service and Utility Operations
Eligible B & C Roads
Specific to Grant
State restrictions

For the year ended June 30, 2005, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2005, the City had \$238,576 of outstanding general obligation debt.

Other Long-term Debt

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight percent for third class cities. For the year ended June 30, 2005, the City had \$2,573,211.55 of such indebtedness.

Notes and Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2005.

Requirement

Level of Compliance

a. Bonds Payable Coverage:

Net water operating revenues (excluding depreciation) must equal 1.25 times the annual debt service plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 1997 Water Revenue Bonds, Series A, B & C, and the 2000 Sewer Revenue Bond.

b. Reserve Account Requirement:

Various escrows are set up as reserves to make the annual debt payments. Minimum balances are required to be kept in each of the escrows.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Utah Code 10-6-116(4) indicates the only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

general fund. (10-6-116(2)) The City was within the limitations allowed by law. The City also did not have any deficit fund balances in any of its funds.

The City has the following fund in a deficit position by the following amount:

Electric Fund	\$244,882
---------------	-----------

2.F. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The City had the following departments that were over budget by the following amounts:

Recreation	188,548
------------	---------

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

As of June 30, 2004 and 2005, deposits with banks totaled \$45,215 and \$99,026 respectively. The carrying amount on the City's books was \$(360,154) and \$(295,309) respectively. These deposits were covered by Federal Depository Insurance up to \$100,000. These deposits are not collateralized nor are they required to be by State Statute.

Investments

The City has investments with the Utah Public Treasurers' Fund (PTIF) which are not subject to categorization. The carrying amount and market value of the investments at June 30, 2004 and 2005 were \$2,203,323 and \$1,771,006 respectively.

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

The City currently has no investments that are required to be categorized. Investments not subject to categorization at June 30, 2005, were as follows:

Investments in Utah State Treasurers' Investment Fund \$ 1,771,005

Investments	\$ 1,771,005
Deposits	(290,317)
Total	<u>\$ 1,480,688</u>
 Per Statement of Net Assets:	
Unrestricted Cash	\$ 200,274
Warrants in Excess of Transfers	(290,168)
Restricted Cash	1,570,582
Total	<u>\$ 1,480,688</u>

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2005, are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Bond Requirements	19,941	-	-	19,941
Emergency Repairs	262,004	-	-	262,004
Impact Fees	14,637	-	-	14,637
Closure and Post Closure	6,594	-	-	6,594
Total	<u>303,176</u>	<u>-</u>	<u>-</u>	<u>303,176</u>
<i>Governmental Activities:</i>				
Class "C" Roads	1,267,406	-	-	1,267,406
Total	<u>1,267,406</u>	<u>-</u>	<u>-</u>	<u>1,267,406</u>
Grand Totals	<u>\$ 1,570,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,582</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable for the business-type activities consist of utilities receivable from the water and sewer utilities. Accounts receivable of the governmental activities consists of a grant receivable (72%), class "C" roads (12%) curb & gutter (7%), returned checks (4%), hangar rental (2%) and sundry (3%). Receivables detail at June 30, 2005, is as follows:

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$ 31,268	\$ 64,705	\$ 95,973
Grants Receivable	\$ -	\$ 539,446	\$ 539,446
Allowance for Doubtful Accounts	-	(600)	(600)
Net Accounts Receivable	<u>\$ 31,268</u>	<u>\$ 603,551</u>	<u>\$ 634,819</u>

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance at July 1, 2004	Additions	Disposals	Balance at June 30, 2005
Governmental Activities:				
Land	\$ 1,471,645	\$ -	\$ -	\$ 1,471,645
Buildings	513,738	14,295	-	528,033
Improvements other than bldgs	6,962,837	119,883	-	7,082,720
Machinery and equipment	1,022,417	95,291	-	1,117,708
Autos and trucks	535,857	65,279	-	601,136
Furniture and fixtures	45,363	-	-	45,363
Totals at historical cost	10,551,857	294,748	-	10,846,605
Less Accum. Depreciation				
Buildings	(251,566)	(16,904)	-	(268,469)
Improvements other than bldgs	(2,117,989)	(420,403)	-	(2,538,392)
Machinery and equipment	(794,147)	(137,127)	-	(931,274)
Autos and trucks	(435,099)	(61,599)	-	(496,698)
Furniture and fixtures	(44,775)	(588)	-	(45,363)
Total Accum. Depreciation	<u>(3,643,575)</u>	<u>(636,621)</u>	<u>-</u>	<u>(4,280,196)</u>
Governmental Activities capital assets, net	6,908,282	(341,873)	-	6,566,410
Business-type activities:				
Water Rights	1,761,659	-	-	1,761,659
Land	221,495	-	-	221,495
Buildings	129,676	-	-	129,676
System improvements	10,463,561	287,307	-	10,750,868
Furniture and fixtures	425	-	-	425
Machinery and equipment	345,791	5,114	-	350,905
Autos and trucks	114,597	-	-	114,597
Totals at historical cost	13,037,204	292,421	-	13,329,625
Less Accum. Depreciation				
Buildings	(87,279)	(3,966)	-	(91,245)
System improvements	(5,137,157)	(211,293)	-	(5,348,450)
Furniture and fixtures	(425)	-	-	(425)
Machinery and equipment	(122,388)	(19,390)	-	(141,778)
Autos and trucks	(98,690)	(7,449)	-	(106,139)
Total Accum. Depreciation	<u>(5,445,939)</u>	<u>(242,098)</u>	<u>-</u>	<u>(5,688,037)</u>
Business-type activities capital assets, net	<u>\$ 7,591,265</u>	<u>\$ 50,322</u>	<u>\$ -</u>	<u>\$ 7,641,586</u>

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Depreciation expense was charged to governmental activities as follows:

Golf	\$ 292,740
Parks	169,501
Streets	82,848
Fire	52,271
Airport	18,051
Administration	6,682
Police	14,528
Total depreciation expense	<u>\$ 636,621</u>

3.E. ACCOUNTS PAYABLE

Payables in the general fund are composed of payroll items such as payroll taxes, insurance and benefits.

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2004, the City had \$125,124 governmental long-term debt.

Compensated Absences	\$ 44,772
<i>Capital Leases</i>	
Wells Fargo - Golf course equipment lease	
Orignal Principal \$300,000 @ 4.8%	125,715
Total long-term debt	<u>\$ 170,487</u>

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Business-type Activities:

As of June 30, 2005, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable & Revenue Bonds:

San Juan Water Conservancy District Payable	
Original Principal \$846,504.07 @ 0.0%	\$ 620,004
Water Revenue Refunding Bond, Series 1997 - BR3	
Original Principal \$555,792.47 @ 0.0%	370,529
Water Revenue Refunding Bond, Series 1997A	
Original Principal \$500,000 @ 3%	395,000
Water Revenue Refun Total Business-type debt	
Original Principal \$460,000 @ 1%	370,000
Water Revenue Refunding Bond, Series 1997C	
Original Principal \$300,000 @ 4.5%	278,403
Utah State Division of Finance - CIB	
Original Principal \$100,000 @ 0.0%	45,000
Sewer Revenue Bond Series 2000	
Original Principal \$500,000 @ 4.0%	430,000
Total notes and revenue bonds	<u>2,508,936</u>

Capital Leases:

Wells Fargo Bank - Garbage Truck Lease	
Original Principal \$240,000 @ 5.3%	53,081

<i>Closure and postclosure care liability</i>	3,954
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<i>Compensated Absences</i>	11,192
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Total Long-term debt	<u>\$ 2,577,163</u>
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CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

Type of Debt	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities:				
Compensated absences	\$ 47,562	\$ -	\$ (2,790)	\$ 44,772
Capital lease payable	186,742	7,063	-	193,805
Total Governmental debt	<u>\$ 234,304</u>	<u>\$ 7,063</u>	<u>\$ (2,790)</u>	<u>\$ 238,577</u>
Business Activities:				
Compensated absences	\$ 7,768	\$ 3,424	\$ -	\$ 11,192
Closure and postclosure	3,954	-	-	3,954
Capital lease payable	103,491	-	(50,410)	53,081
Notes payable	699,504	-	(34,500)	665,004
Revenue bonds payable	1,922,883	-	(78,951)	1,843,932
Total Business-type debt	<u>\$ 2,737,600</u>	<u>\$ 3,424</u>	<u>\$ (163,861)</u>	<u>\$ 2,577,163</u>

The revenue bonds are payable only from the net revenues of the water and sewer systems, as defined in the bond ordinances. The ordinances further provide that the City establish certain accounts and reserves for bond payment and that all revenues of the system are to be used for operation and maintenance costs of the systems, principal and interest on the bonds, and establishment of the defined debt repayment reserves and capital facilities replacement account.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2005, are as follows:

Year Ending June 30	Capital Leases			
	Business-type		Governmental	
	Principal	Interest	Principal	Interest
2006	\$ 53,081	\$ 2,813	\$ 68,090	\$ 3,857
2007	-	-	125,715	4,714
Total	<u>\$ 53,081</u>	<u>\$ 2,813</u>	<u>\$ 193,805</u>	<u>\$ 8,571</u>

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Year Ending June 30	Business - type Activites			
	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2006	\$ 34,500	\$ -	\$ 81,060	\$ 45,192
2007	34,500	-	82,239	43,532
2008	34,500	-	84,427	41,855
2009	34,500	-	85,623	40,099
2010	34,500	-	88,828	38,294
2011-2015	167,500	-	476,564	161,595
2016-2020	147,500	-	538,306	105,083
2021-2025	147,500	-	252,114	47,552
2026-2030	30,004	-	52,519	29,200
2031-2035			65,743	15,976
2036-2040			36,509	1,747
2041-2045				
Total	<u>\$ 665,004</u>	<u>\$ -</u>	<u>\$ 1,843,932</u>	<u>\$ 570,125</u>

3.G. INTER-FUND TRANSACTIONS AND BALANCES

Operating Transfers

The City had no inter-fund transactions for the year ended June 30, 2005.

3.H. FUND EQUITY

Restricted Fund Equity

	Government Activities	Business-Type Activites	Totals
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 6,482,545	\$ 5,057,872	\$ 11,540,417
Restricted for:			
Class "C" Roads	1,267,406	-	1,267,406
Bond Requirements	-	19,941	19,941
Emergency Repairs	-	262,004	262,004
Impact Fees	-	14,637	14,637
Closure and Post Closure Costs	-	6,594	6,594
Unrestricted (Deficit)	522,507	(46,500)	476,007
Total Net Assets	<u>\$ 8,272,458</u>	<u>\$ 5,314,548</u>	<u>\$ 13,587,006</u>

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in the following employee pension systems:
Local Governmental – Cost Sharing Defined Benefits Pension Plans

Plan Description. The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), and the Public Safety Noncontributory Retirement System (Public Safety Noncontributory System) for employers with (without) social security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. The City is required to contribute a percentage of covered salary to the respective systems to which they belong; 11.09% to the Noncontributory, and 19.08% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the various Systems for the years ending June 30, 2005, 2004, and 2003, respectively, were; for the Noncontributory System, \$35,340, \$32,566, and \$26,712; and for the Public Safety Noncontributory, \$16,660, \$14,276, and \$16,856. The contributions were equal to the required contributions for each year.

401k Deferred Compensation Plan

The employees of the City also have the option to participate in a 401(k) deferred

CITY OF MONTICELLO, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

compensation plan. The amount of the employer contributions for the year ended June 30, 2005, 2004, and 2003, were \$8,047, \$6,690, and \$1,189, respectively.

Local Governmental - Cost Sharing Defined Benefits Pension Plans

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased comprehensive general liability insurance through the Utah Local Governments' Trust. The City pays premiums to the Trust for its general insurance coverage, automobile liability, and personal injury protection. The Trust is self sustaining through member premiums. The City is subject to a minimal deductible for claims.

4.C. LANDFILL CLOSURE AND POST-CLOSURE COSTS – CLASS IV

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,954 reported as landfill closure and post-closure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 32 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$10,000 as the remaining estimated capacity is filled. The amounts are based on what it would cost to perform all closure and post-closure care in 1998. The City expects to close the landfill in the year 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is making annual contributions to a trust to finance closure and post-closure care. At June 30, 2005, investments of \$6,594 were held for these purposes. These contributions are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), the costs may need to be covered by charges to future landfill users or from future tax revenue.

**CITY OF MONTICELLO, UTAH
INDEPENDENT AUDITORS' REPORT IN
ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*
INDEPENDENT AUDITORS' REPORT
ON LEGAL COMPLIANCE
MANAGEMENT LETTER
JUNE 30, 2005**

**CITY OF MONTICELLO, UTAH
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FOR THE YEAR ENDED JUNE 30, 2005**

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MANAGEMENT LETTER

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GOVERNMENT AUDITING STANDARDS REPORT



LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

September 20, 2005

Honorable Mayor and
City Council Members
City of Monticello
17 North 100 East
Monticello, Utah 84535

We have audited the basic financial statements of the City of Monticello as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Monticello's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in the accompanying management letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Monticello's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial

reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the accompanying management letter.

This report is intended for the information of the City Council, management, and various federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.



Larson & Company
Certified Public Accountants

STATE COMPLIANCE REPORT



LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE WITH
APPLICABLE UTAH STATE LAWS AND REGULATIONS**

September 1, 2005

Honorable Mayor and
City Council Members
City of Monticello
17 North 100 East
Monticello, Utah 84535

We have audited the basic financial statements of the City of Monticello as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. As part of our audit, we have audited the City of Monticello's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B and C Road Funds
Liquor Law Enforcement

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Guide, including:

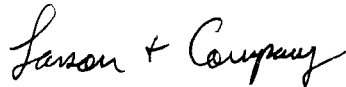
Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Justice Courts Compliance
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees and Other Development Fees
General Compliance Asset Forfeiture

The management of the City of Monticello is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Monticello complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



Larson & Company
Certified Public Accountants



MANAGEMENT LETTER

CITY OF MONTICELLO, UTAH
CURRENT YEAR FINDINGS
JUNE 30, 2005

STATE COMPLIANCE FINDINGS

FINDING - VARIOUS DEPARTMENTS EXCEEDED BUDGETED AMOUNTS

State law requires departmental expenditures be kept within budgeted amounts. The following funds were found to be over budget as of June 30, 2005, in the following amounts:

<u>Fund/Department</u>	<u>Amount</u>
General Fund:	
Parks and Recreation	\$17,679
Golf Course	170,870

RECOMMENDATION

We recommend the City make the necessary adjustments at year-end to ensure departmental expenditures are within budgeted amounts.

CITY'S RESPONSE

The City will make the necessary adjustments in the future to ensure expenditures are within budgeted amounts.

FINDING – JUSTICE COURT

We noted during our audit that duties are not completely separated in the justice court. Some of the documentation for adjustments to fines may not be adequate to meet state standards. We also noted errors in some of the surcharge remittances.

RECOMMENDATION

We recommend that the Court separate its duties where possible and where not possible implement compensating controls. We also recommend that the Court maintain appropriate supporting documentation for any adjustments to cases and that the Court improve its surcharge remittance process so as to ensure surcharges are correctly calculated and all reporting is correct and timely filed.

CITY'S RESPONSE

The surcharge calculation was not changed in the software when the prescribed method of calculation was changed in state law. This error has already been corrected. The Court will review its policies and procedures and make any and all necessary changes to bring itself into compliance with State laws.

CITY OF MONTICELLO, UTAH
CURRENT YEAR FINDINGS (CONTINUED)
JUNE 30, 2005

FINDING – TREASURER BOND

State Law requires that the Treasurer be bonded for a certain percentage of prior year budgeted revenues. The current year requirement is \$334,200 and the bond is currently at \$200,000.

RECOMMENDATION

We recommend that the City increase to bond in order to be in compliance with State Law and anticipate future needs for increases by looking at budgeted gross revenue for the prior year.

CITY'S RESPONSE

The City will increase the bond as required.

FINDING –DEFICIT RETAINED EARNINGS

Utah Code prohibits any deficit fund balance. The Electric Department retained earnings had a deficit balance.

RECOMMENDATION

We recommend that the City reduce the general funds fund balance to within Utah Code limits. Steps necessary to bring the Electric Department into compliance are contingent upon the purchase of the system.

CITY'S RESPONSE

The City created the electric fund in anticipation of the possible purchase of the electric system owned by a private company. A decision on the matter is yet to be made.

CITY OF MONTICELLO, UTAH
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2005

INTERNAL ACCOUNTING CONTROL FINDINGS

FINDING - LACK OF SEPARATION OF DUTIES

Because the same people who handle cash receipts also perform various bookkeeping and water billings there is no system of independent controls as would exist in a city with more accounting personnel. We recommend that the Mayor and City Council closely monitor cash receipts and disbursements to help mitigate this lack of separation of duties.

STATUS

No change.

BOND COMPLIANCE FINDINGS

FINDING - 125% OF NET REVENUES

Bond covenants require that adjusted net revenues of the Water fund exceed 125% of the annual bond payment. For the year ended June 30, 2004 the Water fund adjusted net revenues were \$14,408 short of the 125% requirement.

STATUS

No problems noted in current year audit.

STATE COMPLIANCE FINDINGS

FINDING - VARIOUS DEPARTMENTS EXCEEDED BUDGETED AMOUNTS

State law requires departmental expenditures be kept within budgeted amounts. The following funds were found to be over budget as of June 30, 2005, in the following amounts:

<u>Fund/Department</u>	<u>Amount</u>
General Fund:	
Highways & Public Improvements	\$ 259,274
Recreation	83,739

Also, the City's original budgeted revenues did not match the TC-693 as required by law.

STATUS

See current year findings.

CITY OF MONTICELLO, UTAH
STATUS OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2005

FINDING – FUND BALANCE OVER LIMIT/DEFICIT RETAINED EARNINGS

Utah Code requires that the fund balance of the general fund not exceed 18% of budgeted revenue. The general fund balance exceeded the maximum allowed at year-end. Utah Code also prohibits any deficit fund balance. The Electric Department retained earnings had a deficit balance. We recommend that the City reduce the general funds fund balance to within Utah Code limits. Steps necessary to bring the Electric Department into compliance are contingent upon the purchase of the system.

STATUS

See current year findings.

FINDING – JUSTICE COURT REPORTS

Two of twelve monthly reports (October & December) were not filed with the State Court Administrator's Office by Justice Court in a timely manner as required by Utah Code Annotated (UCA) 78-5-130.

STATUS

See current year findings.

FINDING – TREASURER BOND

State Law requires that the Treasurer be bonded for a certain percentage of prior year budgeted revenues.

STATUS

See current year findings.

**CITY OF MONTICELLO, UTAH
BOND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

CITY OF MONTICELLO, UTAH
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JUNE 30, 2005

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LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON BOND COMPLIANCE

September 20, 2005

Honorable Mayor and
City Council Members
City of Monticello
17 North 100 East
Monticello, Utah 84535

Mayor and Council Members:

We have audited the financial statements of the City of Monticello for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. As part of our audit, we reviewed your compliance with the requirements of your bond issues.

Based on our review, we noted no areas of non-compliance.

Larson & Company
Certified Public Accountants

CITY OF MONTICELLO
WATER AND SEWER RATES
JUNE 30, 2005

Water Rates

Residential	\$ 21.60 Per month
Commercial - Small	\$ 24.60 Per month
Commercial - Medium	\$ 28.20 Per month
Commercial - Large	\$ 29.40 Per month
County Metered	\$ 24.60 Per month
County Commercial Metered	\$ 43.20 Per month
Commercial Metered	\$ 2.46 first 10 gallons
	\$ 0.72 next 10 gallons
	\$ 0.84 next 10 gallons
	\$ 0.96 next 20 gallons
	\$ 1.08 over 50 gallons

Sewer Rates

Residential	\$ 16.00 Per month
Commercial - Small	\$ 17.50 Per month
Commercial - Medium	\$ 21.00 Per month
Commercial - Large	\$ 21.50 Per month
Commercial Metered	\$ 24.75 Per month

CITY OF MONTICELLO
WATER AND SEWER CONNECTION FEES, CONNECTIONS, AND BILLINGS
JUNE 30, 2005

Water Connection Fees

<u>Line Size</u>	<u>Fee</u>	
1 inch	\$ 1,000	per connection
2 inch	\$ 1,400	per connection

Sewer Connection Fees

<u>Type</u>	<u>Fee</u>	
Residential	\$ 600	per connection
Commercial	\$ 850	per connection

Connections

Currently the City services 1,152 residential and 102 commercial water connections.
Currently the City services 574 residential and 89 commercial sewer connections.

Billings

For the year ended June 30, 2005, the total water billings were \$217,708
For the year ended June 30, 2005, the total sewer billings were \$139,314

CITY OF MONTICELLO
INSURANCE AND BONDING COVERAGE
JUNE 30, 2005

COMPANY	COVERAGE AMOUNT	COVERAGE	EXPIRATION DATE
Utah Local Governments' Trust	\$2,000,000	General Liability, Bodily Injury, Personal Injury, Property Damage, Public Officials Errors and Omissions	9/24/2005
Utah Local Governments' Trust	\$2,000,000	Automotive Liability, Automotive Bodily Injury, and Property Damage	9/24/2005
Utah Local Governments' Trust	\$65,000	Uninsured Motorist	9/24/2005
Utah Local Governments' Trust	\$50,000	Underinsured Motorist	9/24/2005
Worker's Compensation Fund of Utah		Worker's Compensation	12/31/2005



City of Monticello

17 North 100 East • P.O. Box 457 • Monticello, Utah 84535 • Phone (435) 587-2271 • FAX (435) 587-2272 • www.monticelloutah.org

June 26, 2006

MacRay A. Curtis, CPA
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
PO Box 142310
Salt Lake City, UT 84114-2310

Dear Mr. Curtis:

We submit the following corrective action plan regarding the audit statement for the year ending June 30, 2005.

State Compliance Findings.

Finding - Various Departments Exceeded Budgeted Amounts. We will monitor the budget more closely to ensure departmental budgets are not exceeded or transfers are made by the governing body into these departments before the fiscal year end. Some of the problems arose from the new requirements of GASB.

Finding - Justice Court.

We have updated our computer program to correct the errors found in the surcharge remittances. Given our small departments, it is often difficult to separate the duties as much as you could in larger cities. Therefore we provide extra checks and balances to the department.

Finding - Deficit Retained Earnings.

The Electrical Department purchase will not take place so in the future this department will cease to exist. In this current fiscal, the department will be dissolved.

Finding - Treasurer Bond. The Treasurer's Bond has been increased as necessary.

As the City Treasurer, I will implement this corrective action plan and work with the appropriate parties to maintain compliance. Thank you.

Sincerely,
CITY OF MONTICELLO

Trent Schafer
City Manager